ENQUEST PLC, 13 August 2014. Results for the 6 months to 30 June 2014

STRONG 18% PRODUCTION GROWTH Vs H1 2013

Unless otherwise stated, all figures are before exceptional items and depletion of fair value uplift and are in US dollars.

Highlights

- Production in H1 2014 was 25,292 Boepd, up 17.9% on H1 2013, as a result of strong reservoir performance and high production efficiency, which are expected to continue in H2 2014.
- 2014 full year average production guidance is maintained at between 25,000 Boepd and 30,000 Boepd. This reflects the ongoing strong performance from EnQuest's existing hubs in 2014, a reduction from Alma/Galia and the first contribution from PM8/Seligi.
- Revenue was $503.8 million, with EBITDA of $284.0 million and cash flow of $318.2 million generated from operations.
- The acquisition of 'PM8/Seligi' in Malaysia completed as planned at the end of June 2014, building on EnQuest's core skill of extracting value from maturing fields; this acquisition immediately adds to production and reserves and the transition of the operatorship from ExxonMobil to EnQuest is underway.
- Significant progress has been made on the FPSO* for the Alma/Galia development, however sailaway is now weather dependent. Taking into account the winter weather, sailaway is planned for spring 2015, with first oil in the middle of the year. The FPSO is substantially complete and commissioning has started. Three wells have been completed and a fourth is in the process of being completed for production.
- Kraken is proceeding on time and on budget and progress is continuing on the host vessel. The Kraken West appraisal well 'Tyrone' will be drilled in H2 2014.
- Business development: In addition to the PM8/Seligi acquisition, in H1 2014, EnQuest completed the acquisition of the Greater Kittiwake area hub ('GKA') and was awarded the Tanjong Baram field development in Malaysia. EnQuest was also awarded, out of round, the Don North East licence, following which a Field Development Plan for 'Ythan' has recently been submitted. Successful exploration and appraisal wells were drilled at Cairngorm and Avalon.

***** Floating Production, Storage and Offloading vessel

EnQuest CEO Amjad Bseisu said:

"In 2014 so far, EnQuest has again delivered good growth in reserves and production. Production was up 18% in the first half of 2014 and acquisitions, combined with the new development contract award in Malaysia are expected to result in an incremental increase of approximately 20 MMboe in net 2P reserves.

With our UK North Sea activities set for substantial growth from our new hubs, we have been complementing our UK business by establishing EnQuest in South East Asia, through the Tanjong Baram field development and the acquisition of PM8/Seligi. Seligi was once the largest oil field in Peninsular Malaysia and we are evaluating the potential from infill drilling and workovers at PM8/Seligi.

I am delighted that in Oil & Gas UK's latest production efficiency rankings, EnQuest again performed very strongly and was in the top quartile. Production efficiency has been an important driver of the strong performance from our existing assets in H1 2014 and we see this continuing in the second half of the year. EnQuest will soon have six producing hubs, and over 15 producing fields, giving diversity to our portfolio."

Summary production statistics and key financials	H1 2014	H1 2013	Change %
Production (Boepd)	25,292	21,455	17.9
Revenue ($m)	503.8	455.9	10.5
Realised oil price $/bbl	110.0	108.7	1.2
Gross profit ($m)	164.3	175.0	(6.1)
Profit before tax & net finance costs ($m)	149.4	167.2	(10.6)
Profit after tax & net finance costs ($m)	75.1	97.7	(23.1)
EBITDA (1) ($m)	284.0	274.0	3.6
Cash flow from operations ($m)	318.2	234.7	35.6
Reported basic earnings per share (cents)	7.9	12.2	(35.2)
Net (debt)/cash (2) ($m)	(716.7)	(101.9)	-

(1) EBITDA is calculated by taking profit/loss from operations before tax and finance income/(costs) and adding back depletion (adjusted for depletion of fair value uplift), depreciation, impairment, write-off of intangible oil and gas assets and foreign exchange movements. The foreign exchange adjustment was not made in 2013 and the prior year EBITDA figure has been restated accordingly. (2) Net (debt)/cash represents cash and cash equivalents less borrowings as at the reported cash flow statement date of 30 June.

Performance summary and latest outlook

2014 to date has been another period of good delivery and progress for EnQuest. Production efficiency and reservoir performance from existing producing assets have been strong, with good initial progress on the integration of new acquisitions. For the remainder of 2014, in the UK, EnQuest will continue to invest in its current producing assets, including the completion of the first GKA workover and will also continue with the substantial investment programme in the Kraken development. In Malaysia, in H2 2014, EnQuest will continue transitioning to take over full operatorship of PM8/Seligi and development of the Tanjong Baram field has commenced. In H1 2014, EnQuest submitted applications as part of the UK 28th North Sea Licensing Round; the results are anticipated in H2 2014.

- **Production guidance:** EnQuest has maintained its 2014 full year average production guidance at between 25,000 Boepd and 30,000 Boepd, on a working interest basis.
- **Exploration and appraisal:** In the UK, drilling of the 'Eagle' exploration well in the GKA area is planned for H2 2014, as is drilling of the Kraken 'Tyrone' appraisal well. In offshore Malaysia, exploration drilling in the Sabah area is anticipated around the end of 2014.
- **Capital expenditure:** Capital expenditure for 2014 will now include the investment in Tanjong Baram and the PM8/Seligi acquisition and its initial capital programme. In the North Sea, capital expenditure will include the initial investment in the development of Ythan and additional Alma FPSO costs. In total, therefore the EnQuest 2014 capital expenditure programme should be approximately $1.2 billion.
- **Operating expenditure:**
  The integration of the acquisition of PM8/Seligi at the mid-year point adds approximately $50m to production and transportation costs for the full year 2014.
  Transportation costs have also been impacted by the Sullom Voe oil terminal ('SVT'); H1 2014 results include an exceptional charge of $32 million arising from the third party operator's finalisation of the costs for 2013. Estimated 2014 costs also increase to reflect the higher base level and EnQuest being allocated a higher proportion of the SVT costs in 2014, reflecting other users' lower throughput. In keeping with the recommendations of Sir Ian Wood's review seeking to maximise economic recovery from the UKCS, the operator of SVT and its users have formed a task force and are working closely together assessing lower cost options for the medium and longer term. As a result of the PM8/Seligi acquisition and these SVT updates, total production and transportation costs for 2014 are now expected to be in the range $535 million to $555million.
- **Tax:** The H1 2014 post-exceptionals effective tax rate was 22%, reflecting the impact of the Ring Fenced Expenditure Supplement. The effective tax rate for the full year 2014 is anticipated to be in the range of 25% to 33%, but this will depend on oil price and production in the second half of the year in both the UK and internationally. The Group is expecting to pay cash corporate income tax on assets acquired in Malaysia from the second half of 2014 and throughout the life of this Production Sharing Contract ('PSC').

Summary financial review of H1 2014

- EBITDA was $284.0 million. Net debt was $716.7 million at the end of H1 2014, after an increased cash capital investment of $482.0 million. This outflow included $114.0 million invested in EnQuest's existing producing fields, $101.9 million in Kraken and $207.6 million in Alma/Galia.
- H1 2014 revenue of $503.8 million was 10.5% higher than the previous period mainly reflecting the higher production and also the slightly higher realised oil price.
- Gross profit was $164.3 million, down 6.1% on the prior period. This reflects the increased SVT tariff costs, up $28.2 million on last year, as well as approximately $30 million of GKA costs post the acquisition in Q1 2014.
- Unit production costs were $35.4 per barrel in H1 2014 Vs $31.5 per barrel in H1 2013; the increase related mainly to the impact of the GKA acquisition, with like for like unit operating costs held broadly flat.
- Profit after tax and net finance costs was $75.1 million, down 23.1% reflecting increased interest costs following bond issuance.
- Tax losses were approximately $1,453 million at the end of H1 2014.
- In H1 2014 the Group successfully raised a $650 million high yield bond.

DETAILED REVIEW

Working interest production by field	Net daily average H1 2014	Net daily average H1 2013
	(Boepd)	(Boepd)
Thistle/Deveron	9,281	5,046
The Don Fields	9,789	11,349
Heather/Broom	4,041	4,246
Alba	1,276	814[4]
Kittiwake	905[3]	-
Total	25,292	21,455

[3] Net production since the completion of the acquisition at the start of March 2014, averaged over the six months to the end of June 2014.
[4] Net production since the completion of the acquisition at the end of March 2013, averaged over the six months to the end of June 2013.

Production and developments

Average EnQuest production for H1 2014 was 25,292 Boepd, up 17.9% on H1 2013; reflecting strong reservoir and production efficiency performances

Thistle/Deveron

- Production at Thistle/Deveron achieved a net 9,281 Boepd, an 84% increase on the same period last year, reflecting continued benefit from the new production wells which came onstream in H2 2013 and from investment in a significantly improved power supply. In 2014, further capital investment is being made in the ongoing Thistle field life extension project; ongoing activities include: a control systems upgrade and significant simplification of processes, jacket integrity improvements and topsides structural integrity improvements.

Dons

- Production at the Dons achieved a net 9,789 Boepd, down in line with expectations, reflecting anticipated natural decline rates. Two key wells, West Don W4 and Don SW S11 had both outperformed expectations and are now declining. Production efficiency has remained very strong, with high levels of water injection efficiency supporting production.
- Production optimising projects are continuing with a new production well drilled in Don Southwest, in Area 22 ('TJ'). The well is planned to be tied-in to the subsea system and placed on production in September. A programme of chemical treatments to remove scale is ongoing. Offshore construction has commenced on a project to upgrade the water injection system capacity.
- In Q1 2014, EnQuest applied for and was offered an 'out of round' licence in the Don North East ('Don NE') area for blocks 211/18e and 211/19c, including the Area 23 and Area 24 discovered oil accumulations and an undrilled extension to the Don NE field. Following the award of the Don NE licence, a field development plan ('FDP') for 'Ythan' has been submitted and is targeted to come onstream in late 2015 / early 2016.

Heather/Broom

- Production at Heather/Broom achieved 4,041 Boepd, down following a strong performance last year and ahead of benefits from the redevelopment and life extension programme now underway. A small underlying decline in the Broom field is in line with expectations. Production efficiency in H1 2014 was the highest level achieved for over five years.

- Following commencement of rig operations in Q1 2014, the workover of the H56 well was successfully completed in Q2 2014, the first workover on Heather for nearly a decade. The rig has since drilled and completed the first new well, H64, a water injection well (previously named H44). H64 came online in July, and will provide pressure support and increased oil production in a nearby producer. The 2014 programme also includes a sidetrack of H48 as a new producer and a workover of the crestal E-Block producer H47.

Greater Kittiwake Area (GKA)

- Following the completion of the acquisition at the start of March, GKA has been integrated into EnQuest's operations. Following a maintenance shutdown and the current workover of Mallard, benefits from the improvement programme should start to be seen late in H2 2014.
- The recent Avalon discovery has helped to enhance the potential of GKA; further exploration opportunities are also being assessed. Drilling of the 'Eagle' exploration well in GKA is planned for H2 2014. Planning for the Gadwell work programme is progressing well, as is preparation of a Scolty/Crathes field development plan.

Alba (non-operated)

- Alba is on track for the drilling of two production wells in 2014, one well is already online and one is currently being completed.

PM8/Seligi

- EnQuest acquired the PM8/Seligi Production Sharing Contract ('PSC') and entered into an interim transition services agreement with ExxonMobil to facilitate the transfer of the assets. Net production is currently approximately 5,000 Boepd; the transition programme includes a two week operational shutdown during H2 2014.
- The commercial terms for PM8/Seligi are similar to traditional revenue over cost ('R/C') PSCs in Malaysia.
- In addition to our initial reserve estimates, EnQuest is also evaluating the potential from infill drilling and workovers at PM8/Seligi; over 200 wells have previously been drilled at Seligi alone.

Alma/Galia

- Subsea work has been completed with the exception of mooring and riser pull-ins to the FPSO. Completion operations continue on the wells, three wells have been completed and a fourth is underway. On the FPSO, the finishing work is now nearing completion and commissioning has started. Due partly to some marine and topside legacy issues associated with earlier work, construction work in the UK yard has advanced more slowly than expected; to avoid the worst of the winter weather, sailaway of the FPSO is now planned for spring 2015, with first oil in the middle of 2015.

Kraken

- An oil tanker is undergoing a conversion programme to become the FPSO for the Kraken development. This 'host' vessel arrived in the Keppel shipyard in Singapore on schedule in H1 2014 and the hull conversion and marine system refurbishment is progressing. Pipeline route surveys have been undertaken on the Kraken site, boulders removed and preparatory pipeline initiation facilities installed. In H2 2014, two integrated template structures will be installed, these are key elements of the subsea infrastructure. The Engineering Procurement Construction Installation ('EPCI') contract for the Subsea Umbilical Riser and Flowlines ('SURF') has been executed. A scheduled pre-payment of $50 million was made to Bumi as planned. Good progress is being made on the evaluation of drilling rig options.

- The Kraken West appraisal well 'Tyrone' will be drilled in H2 2014.

Further exploration and appraisal

- The Cairngorm appraisal well reached its target in Q1 2014, with indications of hydrocarbons in a relatively good quality basement reservoir. Further evaluation of the results is ongoing.

- The drilling of the Avalon well in Q2 2014, confirmed a discovery; preliminary analysis indicated an 85 ft vertical column of reasonable quality mobile oil in good quality high permeability sands. Avalon is located near to GKA, with potential for a tie-back. Further evaluation is ongoing.

Business development

Tanjong Baram

- On 16 May 2014, EnQuest announced that it had secured a small field development with Petroliam Nasional Berhad ('PETRONAS'), the national oil company for Malaysia, for the development and production of petroleum from the Tanjong Baram field offshore Sarawak, Malaysia. It is intended to develop Tanjong Baram as a near field tieback to the West Lutong A complex; the work programme is already well underway and is going according to plan.

PM8/Seligi

- On 13 June 2014, EnQuest announced that it was further expanding its footprint in Malaysia through the acquisition of an operated interest in the producing Seligi oil field and the PM8 production sharing contract; collectively now known as the 'PM8 PSC (Extension)' or 'PM8/Seligi'. The transaction completed at the end of June 2014, following delivery of the conditions precedent, including an extension to the agreement with PETRONAS for the continuing development and production of petroleum resources from PM8/Seligi, until 2033.

Didon

- EnQuest's acquisition of interests in the producing Didon oil field in Tunisia completed in mid-July 2014. The consideration will be kept in escrow, pending the response of the Tunisian authorities, anticipated by the end of this year. EnQuest will assume responsibility for Didon operations in accordance with transitional arrangements to assure an efficient handover. The original announcement on 29 May 2013 included details of the consideration of $23 million, subject to adjustment for the interim period from 1 January 2013. The Zarat transaction is still pending.

Ends

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Presentation to Analysts and Investors

A presentation to analysts and investors will be held at 09:30 today. The presentation and Q&A will also be accessible via an audio webcast - available from the investor relations section of the EnQuest website at www.enquest.com. A conference call facility will also be available at 09:30 on the following numbers:

United Kingdom: +44(0)20 3427 1913
United States of America: +1646 254 3367

Notes to editors

About EnQuest www.enquest.com

EnQuest is the largest UK independent producer in the UK North Sea. EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm. It is a constituent of the FTSE 250 index. Its operated assets include the Thistle, Deveron, Heather, Broom, West Don, Don Southwest, Conrie, Kittiwake, Mallard, Gadwall, Goosander and Grouse producing fields and the Alma/Galia and Kraken developments; EnQuest also has an interest in the non-operated Alba producing oil field. At the end of H1 2014, EnQuest had interests in 35 production licences covering 48 blocks or part blocks in the UKCS, of which 29 licences are operated by EnQuest.

EnQuest believes that the UKCS represents a significant hydrocarbon basin in a low risk region, which continues to benefit from an extensive installed infrastructure base and skilled labour. EnQuest believes that its assets offer material organic growth opportunities, driven by exploitation of current infrastructure on the UKCS and the development of low risk near field opportunities.

EnQuest is expanding geographically to a small number of other maturing regions; complementing our operations and utilising our skills in the UK North Sea. In addition to its interests in the PM8/Seligi producing oil fields in Malaysia, EnQuest also has interests in Malaysia in two blocks offshore Sabah, and a small field risk service contract, offshore Sarawak.

Forward looking statements: This announcement may contain certain forward-looking statements with respect to EnQuest's expectation and plans, strategy, management's objectives, future performance, reserves, production, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this presentation should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

FINANCIAL REVIEW

EnQuest made good progress in the first half of 2014, with EBITDA of $284.0 million pre-exceptional items and fair value adjustments (2013: $274.0 million adjusted to exclude foreign exchange) and cash generated from operations $318.2 million (2013: $234.7 million) which results in a net borrowing position of $716.7 million at 30 June 2014 (31 December 2013: $381.1 million). The net cash decrease of $335.6 million is due to the significant expansion and capital expenditure programme being undertaken by the Group.

In H1 2014 the Group successfully raised a $650 million high yield bond. The 8 year bond further diversifies the Company's capital base and puts EnQuest in a strong financial and flexible position. The $1.2 billion revolving credit facility was undrawn at the half year and allows EnQuest to take advantage of potential acquisition opportunities as well as investing in its current projects.

As a result of the continued capital investment, UK corporate tax losses at the end of the half year increased to approximately $1,453 million. The effective tax rate for the year is expected to be in the range of 25%-33% which reflects the blend of UK and international assets. With the investment programme in the UK, no material corporation tax or supplementary corporation tax is expected to be paid on UK operational activities before 2020. The Group is expecting to pay cash corporate income tax on assets acquired in Malaysia from the second half of 2014 and throughout the life of the PSC.

Production and revenue

Production averaged 25,292 boepd in the first half of 2014 compared with 21,455 boepd in the first half of 2013. The increase primarily arises from higher production in the Thistle field which has been experiencing high production efficiency. This is off-set partially with a decrease in Don South West production relating to natural decline and a planned shut-down. The Group's blended average realised price per barrel of oil sold was $109.98 in H1 2014, compared with $108.7 per barrel in H1 2013. Revenue increased by $47.9 million to $503.8 million in the six months ended 30 June 2014 compared with the same period in the prior year which also reflects a reduction in the over-lift position from $40.1 million to $9.9 million

Operating costs

Cost of sales pre-exceptional items and fair value adjustments for the Group are summarised below:

	H1 2014	H1 2013
Cost of sales ($ million)	**339.5**	**280.9**
Unit operating cost, adjusted for over-lift/under-lift and inventory movements ($ per boe):		
Production & transportation costs:		
Transportation	10.5	5.1
Production	35.4	31.5
Total	**45.9**	**36.6**
Depletion of oil & gas properties	**26.6**	**26.0**
Total operating cost per barrel	**72.5**	**62.6**

There has been an increase in SVT (Sullom Voe oil terminal) tariff costs in the year compared with prior years. Costs are $28.2 million higher than H1 2013 due to a higher base level of costs incurred by the operator and also EnQuest being allocated a higher proportion of SVT costs in 2014. This reflects EnQuest's increased production and therefore higher level of throughput at SVT. In addition, the exceptional items include a charge of $32.4 million in respect of actualisation of 2013 costs which have now been notified to EnQuest by the operator. The operator of SVT and its users, including EnQuest, have formed a task force and are working closely together assessing lower cost options for the medium and longer terms.

Gross profit pre-exceptional items and fair value adjustments was $164.3 million (2013: $175.0 million). The decrease in gross profit of $10.7 million is due to the increase in SVT tariffs as well as GKA lifting costs being incurred from completion on 1 March 2014 with no liftings occurring for GKA in H1 2014. An under-lift position on GKA partially offsets this effect. In addition, depletion increased mainly due to a higher mix of production from the Thistle hub, the addition of GKA and an increase in the Heather/Broom hub due to a higher capital investment compared to the prior year. Cost of sales reflects an over-lift of $9.9 million (2013: $40.1million), the reduction from last year relates mainly to a significant under-lift position in GKA and Alba. EBITDA of $284.0 million was $10 million higher than H1 2013.

Exploration and evaluation expenses

Exploration and evaluation expenses of $2.2 million for the six months to 30 June 2014 (2013: $2.3 million) mainly relate to expenses incurred in business development and small impairment and write-off costs relating to relinquished licenses. Exploration costs also include the Group's 28th UK licensing round applications.

General and administrative expenses

General and administrative expenditure (G&A) for the six months to 30 June 2014 was $3.7 million compared with $4.5 million in the same period last year. The expenses primarily relate to the Group's general management and business development expenses after recharges to joint venture partners.

Other expenses

Other expenses for the six months to 30 June 2014 was $9.1m compared with $1.0 million in the same period last year. The increase is principally foreign exchange losses primarily from the strengthening of sterling with respect to the retail bond.

Finance costs

Finance costs of $39.4 million (2013: $24.7 million) include $8.4 million of a non-cash unrealised accounting mark to market valuation loss on the Group's outstanding foreign exchange contracts deemed ineffective for hedge accounting purposes. Non-cash expense for the unwinding of the discount on the decommissioning provision was $7.0 million. The remaining finance costs include bond interest on the retail and the new high yield bond of $14.6 million, $5.0 million for bank fees and commitment charges associated with the Group's revolving credit facility and letter of credit utilisation, amortisation of facility fees and loan interest paid totalling $4.4 million.

Finance income

Finance income of $4.2 million (2013: $4.8 million) includes a mark to market hedging gain of $2.9 million.

Taxation

The income tax charge pre-exceptional items and fair value adjustments of $39.1 million for the first half of the year (2013: $49.7 million) reflects the expected full year effective tax rate on UK and Norwegian activities. The effective tax rate is lower than 2013 due to a material increase in Ring Fence Expenditure Supplement ('RFES'), partly offset by Petroleum Revenue Tax, a reduction in the tax benefit available from leasing arrangements and other minor tax rate increases.

Exceptional items and depletion of fair value uplift

These items relate to the actualisation of the SVT tariff for 2013 as well as the fair value uplift for depletion.

Cash flow, capital investment and liquidity

Cash generated from operations has increased to $318.2 million (2013: $234.7 million). Investment in property, plant and equipment in the period was $444.3 million (2013: $392.9 million). This relates mainly to the continued re-fit of the FPSO and related expenditure on the Alma/Galia development. In addition, there has been spend on the Kraken Subsea Production system, on the Thistle hub there has been the ongoing life extension project and the Don South West hub progressed the TJ well.

At 30 June 2014 the Group had $716.7 million of net borrowings (31 December 2013: $381.1 million) and total available bank facilities of $1,200 million, of which $153 million was utilised for letters of credit.

Balance sheet

The Group's total asset value has increased by $832.9 million since 31 December 2013 to $4,383.4 million as at 30 June 2014.

Property, plant and equipment increased to $3,334.4 million as at 30 June 2014 from $2,871.2 million at 31 December 2013. The increase of $463.2 million is mainly due to oil and gas asset additions of $365.7 million. As outlined above this relates to the Alma/Galia development, the Kraken Subsea Production system, the Don South West TJ well and the Thistle hub life extension project.

On 1 March 2014 the acquisition of Centrica's share of the UKCS GKA (Greater Kittiwake Area) assets, as well as its 100% interest in the Kittiwake to Forties oil export pipeline, completed. Also, in June 2014, EnQuest completed the acquisition of ExxonMobil Exploration and Production Malaysia Inc's interest in the Seligi oil field and the PM8 PSC, located offshore Malaysia. Total asset additions relating to acquisitions amounted to $205.8 million.

Intangible oil and gas assets have increased to $197.5 million as at 30 June 2014 from $130.9 million at 31 December 2013. The increase is made up of costs relating to exploration on Cairngorm, Avalon and the GKA acquisition.

The Group's net borrowing position of $716.7 million as at 30 June 2014 compares to a net borrowing position of $381.1 million at 31 December 2013. The increase in borrowings since December 2013 is due to the significant capital expenditure programme being undertaken by the Group as well as acquisitions made in the period.

The Group's deferred tax liability (net of deferred tax asset) has increased by $26.9 million since 31 December 2013 to $773.2 million as at 30 June 2014. The increase is due to accelerated capital allowances arising on the Group's capital investment programme offset by an increase in tax losses. UK tax losses carried forward at the half year amounted to approximately $1,453 million.

Trade and other payables have increased by $65.2 million compared with 31 December 2013, to $428.5 million at 30 June 2014, this is mainly due to a higher level of creditors. There was also an acquired over-lift of $9.4 million in Malaysia. Trade and other receivables have increased by $69.5 million to $336.7 million at 30 June 2014 due to a prepayment on Kraken FPSO lease for $50 million and the unamortised facility fees in relation to the undrawn facility at 30 June 2014. The UK assets were in an under-lift position at 30 June 2014 of $7.5 million (31 December 2013: $17.2 million under-lift).

Provisions have increased by $210.1 million to $518.5 million relating mainly to decommissioning. The GKA and PM8/Seligi acquisitions have associated decommissioning liabilities. EnQuest has a 50% interest in the GKA area but is only responsible for approximately 25% of the decommissioning liability. The decommissioning provision for GKA is $74.4 million. For the PM8 PSC (Extension), EnQuest's estimated share of decommissioning liability is approximately $101.3 million, for which the PSC contractors are required to make annual cost recoverable contributions into a sinking fund based on a pro-rata production basis.

Financial risk management

EnQuest's functional currency is US dollars. Foreign currency risk arises on purchases, and the translation of assets and liabilities denominated in currencies other than the US dollar. EnQuest will continue to review foreign exchange hedging contracts, in line with the policy agreed by the Board which allows for operating expenditure and capital expenditure to be hedged to mitigate the risk of currency fluctuations.

The Group is exposed to the impact of changes in Brent crude oil prices on its revenue and profits. In August and September 2013, some commodity hedging contracts were entered into partially to hedge the exposure to fluctuations in the Brent oil price during 2014. Additionally, the Company entered into a swap for 1 MMbbls during the second quarter at a price of approximately $109/bbl. In Q3 2014, the company hedged 1 MMbbls of production by entering a costless collar, with a floor of $105/bbl and a ceiling of $116/bbl.

EnQuest PLC

HALF YEAR GROUP STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	2014			2013		
	Business performance **US$'000** **Unaudited**	Exceptional items and depletion of fair value uplift (note 4) **US$'000** **Unaudited**	Reported in period **US$'000** **Unaudited**	Business performance **US$'000** **Unaudited**	Exceptional items and depletion of fair value uplift (note 4) **US$'000** **Unaudited**	Reported in period **US$'000** **Unaudited**
Revenue	503,844	-	503,844	455,863	-	455,863
Cost of sales	(339,507)	(35,625)	(375,132)	(280,854)	(6,369)	(287,223)
Gross profit/(loss)	164,337	(35,625)	128,712	175,009	(6,369)	168,640
Exploration and evaluation expenses	(2,173)	-	(2,173)	(2,326)	-	(2,326)
Impairment on investments	-	-	-	-	(312)	(312)
General and administration expenses	(3,675)	-	(3,675)	(4,488)	-	(4,488)
Other expenses	(9,068)	-	(9,068)	(949)	-	(949)
Profit/(loss) from operations before tax and finance income/(costs)	149,421	(35,625)	113,796	167,246	(6,681)	160,565
Finance costs	(39,410)	-	(39,410)	(24,719)	-	(24,719)
Finance income	4,201	-	4,201	4,786	-	4,786
Profit/(loss) before tax	114,212	(35,625)	78,587	147,313	(6,681)	140,632
Income tax	(39,141)	22,088	(17,053)	(49,654)	3,949	(45,705)
Profit/(loss) for the period attributable to owners of the parent	75,071	(13,537)	61,534	97,659	(2,732)	94,927
Other comprehensive income for the period after tax:						
Cash flow hedges:may be reclassified subsequently to profit or loss (net of tax) (note 12)			-			759
Total comprehensive income for the period, attributable to owners of the parent			61,534			95,686
Earnings per share (note 5)			**US$**			**US$**
Basic			0.079			0.122
Diluted			0.077			0.119

EnQuest PLC

GROUP BALANCE SHEET
As at 30 June 2014

	Notes	30 June 2014 US$'000 Unaudited	31 December 2013 US$'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	3,334,377	2,871,229
Goodwill	8	166,574	107,760
Intangible oil and gas assets	9	197,509	130,874
Investments		2,403	2,403
Deferred tax asset		24,149	14,731
Other financial assets	12	21,853	21,928
		3,746,865	3,148,925
Current assets			
Inventories		80,747	46,814
Trade and other receivables		336,676	267,180
Current tax receivable		3,558	6,275
Cash and cash equivalents		213,020	72,809
Other financial assets	12	2,539	8,455
		636,540	401,533
TOTAL ASSETS		4,383,405	3,550,458
EQUITY AND LIABILITIES			
Equity			
Share capital	11	113,433	113,433
Merger reserve		662,855	662,855
Available-for-sale reserve		398	398
Share-based payment reserve		(7,667)	(10,280)
Retained earnings		779,837	718,303
TOTAL EQUITY		1,548,856	1,484,709
Non-current liabilities			
Borrowings		18,417	199,396
Bond	13	911,322	254,500
Obligations under finance leases		36	72
Provisions	14	518,514	308,426
Other financial liabilities	12	-	839
Deferred tax liabilities		797,332	760,993
		2,245,621	1,524,226
Current liabilities			
Bond		11,928	4,291
Trade and other payables		428,476	363,310
Obligations under finance leases		35	35
Other financial liabilities	12	145,041	169,891
Current tax payable		3,448	3,996
		588,928	541,523
TOTAL LIABILITIES		2,834,549	2,065,749
TOTAL EQUITY AND LIABILITIES		4,383,405	3,550,458

EnQuest PLC

GROUP STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2014

	Share capital US$'000 Unaudited	Merger reserve US$'000 Unaudited	Cash flow hedge reserve US$'000 Unaudited	Available-for-sale reserve US$'000 Unaudited	Share-based payments reserve US$'000 Unaudited	Retained earnings US$'000 Unaudited	Total US$'000 Unaudited
Balance at 1 January 2014	113,433	662,855	-	398	(10,280)	718,303	1,484,709
Profit for the period	-	-	-	-	-	61,534	61,534
Total comprehensive income for the period	-	-	-	-	-	61,534	61,534
Shares purchased on behalf of Employee Benefit Trust	-	-	-	-	(1,678)	-	(1,678)
Share-based payment charge	-	-	-	-	4,291	-	4,291
Balance at 30 June 2014	**113,433**	**662,855**	**-**	**398**	**(7,667)**	**779,837**	**1,548,856**
Balance at 1 January 2013	113,433	662,855	(46)	-	(11,072)	528,699	1,293,869
Profit for the period	-	-	-	-	-	94,927	94,927
Other comprehensive income	-	-	759	-	-	-	759
Total comprehensive income for the period	-	-	759	-	-	94,927	95,686
Shares purchased on behalf of Employee Benefit Trust	-	-	-	-	(2,524)	-	(2,524)
Share-based payment charge	-	-	-	-	3,261	-	3,261
Balance at 30 June 2013	**113,433**	**662,855**	**713**	**-**	**(10,335)**	**623,626**	**1,390,292**

EnQuest PLC

GROUP CASH FLOW STATEMENT
For the six months ended 30 June 2014

	2014 US$'000 Unaudited	2013 US$'000 Unaudited
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	78,587	140,632
Depreciation	3,649	4,445
Depletion	124,789	105,371
Exploration costs impaired and written off	300	520
Impairment on available-for-sale investments	-	312
Share-based payment charge	4,291	3,261
Unwinding of discount on decommissioning provisions	7,016	6,143
Unrealised exchange losses	9,068	949
Net finance costs	28,193	13,790
Operating profit before working capital changes	255,893	275,423
Decrease in trade and other receivables	10,304	47,052
Increase in inventories	(27,788)	(1,297)
Increase/(decrease) in trade and other payables	79,799	(86,461)
Cash generated from operations	318,208	234,717
Income taxes received/(paid)	513	(5,455)
Net cash flows from operating activities	318,721	229,262
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(444,295)	(392,934)
Purchase of intangible oil and gas assets	(37,501)	(21,874)
Acquisitions	(58,233)	-
Prepayment of finance lease	(50,000)	-
Interest received	759	336
Net cash flows used in investing activities	(589,270)	(414,472)
FINANCING ACTIVITIES		
(Repayment)/proceeds from bank facilities	(211,525)	49,485
Proceeds from bond issue	650,000	229,883
Share purchased by Employee Benefit Trust	(1,678)	(2,524)
Repayments of obligations under finance leases	(36)	(36)
Interest paid	(10,043)	(707)
Other finance costs paid	(8,128)	(4,928)
Net cash flows used in financing activities	418,590	271,173
NET INCREASE IN CASH AND CASH EQUIVALENTS	148,041	85,963
Net foreign exchange on cash and cash equivalents	(7,830)	(6,729)
Cash and cash equivalents at 1 January	72,809	124,522
CASH AND CASH EQUIVALENTS AT 30 JUNE	213,020	203,756

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

1. Corporate information

EnQuest PLC (EnQuest or the Company) is a limited liability company registered in England and is listed on the London Stock Exchange and Stockholm NASDAQ OMX market.

The Group's principal activities are the exploration for, and extraction and production of hydrocarbons in the UK Continental Shelf, Malaysia and the Norwegian North Sea.

The Group's half year condensed financial reporting for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 12 August 2014.

2. Basis of preparation and accounting policies

The annual financial statements of EnQuest PLC are prepared in accordance with IFRSs as adopted by the European Union. The Group condensed financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS34 'Interim Financial Statements' as adopted by the European Union.

The Group half year condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2013, on which the auditors gave an unqualified audit report, have been filed with the Registrars of Companies. The audit report did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) Companies Act 2006.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities considered for changes in crude oil prices, foreign exchange rates, production rates and development project timing and costs. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have financial headroom for the 12 months from the date of approval of the 2014 half-yearly results.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from this date of this report. Accordingly they continue to adopt the going concern basis in preparing the condensed financial statements included in this half-yearly financial report.

Accounting policies

The accounting policies adopted in the preparation of the half year condensed financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2013. The standards adopted at 1 January 2014 did not have any impact on the results of the Group.

The Group has not early adopted any standard, interpretation or amendment that was issued but not yet effective.

3. Segmental information

Management have considered the requirements of IFRS 8, with regard to the determination of operating segments, and concluded that as the Group has only one significant operating segment being the exploration for, and the extraction and production of hydrocarbons, no segmental information disclosures are provided in these half year condensed financial statements.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

4. Exceptional items and depletion of fair value uplift

Additional depletion arising from the fair value uplift of oil and gas assets on acquisition of US$3,244,000 before tax is included within 'cost of sales' for the six months ended 30 June 2014 (2012: US$4,537,000).

Also included as an exceptional item in the period ended 30 June 2014 is US$32,381,000 for an actualisation of the SVT tariff estimate for 2013, which has now been notified to EnQuest by the operator.

The exceptional item disclosed separately in the six months ended 30 June 2013 relates to an accounting valuation of the shareholding in Ascent Resources plc which resulted in a non-cash impairment of US$312,000. There was no impairment in the current period.

Income tax has been applied on these items at the actual statutory tax rate where appropriate.

5. Earnings per share

The calculation of earnings per share is based on the profit after tax and on the weighted average number of Ordinary shares in issue during the period.

Basic and diluted earnings per share are calculated as follows:

	Profit after tax Six months ended 30 June		**Weighted average number of shares Six months ended 30 June**		**Earnings per share Six months ended 30 June**	
	2014 US$'000 Unaudited	**2013 US$'000 Unaudited**	**2014 Million Unaudited**	**2013 Million Unaudited**	**2014 US$ Unaudited**	**2013 US$ Unaudited**
Basic	61,534	94,927	778.1	780.3	0.079	0.122
Dilutive potential of Ordinary shares granted under share-based incentive schemes	-	-	19.7	16.6	0.002	0.003
Diluted	61,534	94,927	797.8	796.9	0.077	0.119

6. Dividends

No dividend was paid or proposed in the six months ended 30 June 2014 (2013: nil).

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

7. Property, plant and equipment

	Land and buildings US$'000	Oil and gas assets US$'000	Office furniture and equipment US$'000	Total US$'000
Cost				
At 1 January 2014	17,272	4,142,012	27,840	4,187,124
Additions	16,858	365,728	1,307	383,893
Acquired	-	205,820	-	205,820
Change in decommissioning provision	-	1,873	-	1,873
At 30 June 2014	34,130	4,715,433	29,147	4,778,710
Depletion and depreciation				
At 1 January 2014	-	1,301,538	14,357	1,315,895
Charge for the period	-	124,789	3,649	128,438
At 30 June 2014	-	1,426,327	18,006	1,444,333
Net carrying amount:				
30 June 2014	**34,130**	**3,289,106**	**11,141**	**3,334,377**
31 December 2013	17,272	2,840,474	13,483	2,871,229
30 June 2013	-	2,257,180	12,883	2,270,063

In March 2014, the Group completed the acquisition of Centrica North Sea Oil Limited (Centrica) share of the UKCS Greater Kittiwake Area assets as well as its 100% interest in the Kittiwake to Forties oil export pipeline.

In June 2014, EnQuest completed the acquisition of ExxonMobil Exploration and Production Malaysia Inc's (ExxonMobil) interest in the Seligi oil field and the PM8 PSC, located offshore Malaysia.

8. Goodwill

	Total US$'000
At 1 January 2014	107,760
Acquisition during the year (see note 10)	58,814
At 30 June 2014	**166,574**

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

9. Intangible oil and gas assets

	US$'000
Cost	
At 1 January 2014	228,769
Additions	47,135
Acquisition of interests in licences (note 10)	19,800
Unsuccessful exploration expenditure written off	(175)
Write off of relinquished licences previously impaired	(1,290)
At 30 June 2014	294,239
Provision for impairment	
At 1 January 2014	(97,895)
Impairment charge for the period	(125)
Write off of relinquished licences previously impaired	1,290
At 30 June 2014	(96,730)
Net carrying amount:	
30 June 2014	**197,509**
31 December 2013	130,874
30 June 2013	109,965

Included within the acquisition of the Greater Kittiwake Area assets are exploration licences and an allocation of the fair value is included in acquisition of interests above.

The exploration expenditure written off during the six months ended 30 June 2014 relates to licences which have been relinquished.

10. Business combinations

Acquisition of Greater Kittiwake assets

On 1 March 2014, the Group completed the acquisition of Centrica North Sea Oil Limited (Centrica) 50% share of the UKCS Greater Kittiwake area assets as well as Centrica's 100% interest in the Kittiwake to Forties oil export pipeline. Base consideration was US$39,900,000 which was subject to certain working capital and other interim period adjustments from the economic date of 1 January 2013, resulting in a cash consideration of US$30,021,000. The Group acquired the Greater Kittiwake assets partly due to its proximity to the Scolty/Crathes field and the potential for a tie-back, in addition, the Group sees significant potential to improve production through infill drilling and through exploring further prospects in the area.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

10. Business combinations (continued)

Acquisition of Greater Kittiwake assets (continued)

The provisional fair values of the identifiable assets and liabilities of Greater Kittiwake, as at the date of acquisition are:

	Provisional fair value recognised on acquisition
	US$million
Assets	
Property, plant and equipment	55.3
Intangible assets	19.8
Inventory	3.3
Liabilities	
Decommissioning provision	(73.2)
Deferred tax liability	(7.0)
Total identifiable net liabilities at fair value	**(1.8)**
Goodwill arising on acquisition (Note 8)	**58.8**
Purchase consideration transferred	**57.0**

The fair values are provisional due to final agreement of the working capital and other interim period adjustments. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition.

The goodwill of US$58,814,000 comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, GKA has contributed no revenue and a loss of US$19,441,000 to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been nil and the profit before tax from continuing operations for the Group would have been US$26,941,000.

The Group will pay deferred consideration of US$30,000,000 contingent on regulatory approval of a Field Development Plan (FDP) for the Scolty field and/or the Crathes field. The fair value of US$18,000,000 has been determined using the current best estimate of the likelihood of FDP approval.

In addition contingent consideration up to a maximum of US$100,000,000 may be payable subject to future exploration success. The fair value of US$8,700,000 is based on a discounted cashflow method and the best current estimate of the chance of exploration success.

Acquisition of Seligi oil field and PM8 PSC

On 27 June 2014, the Group completed the acquisition of ExxonMobil Exploration and Production Malaysia Inc's 50% operated interest in the Seligi oil field and an 80% participating interest in the PM8 PSC, located offshore Malaysia. The PM8 PSC (extension) was agreed to include the Seligi oil field and with effect from 1 July 2014, EnQuest holds a 50% interest in PM8/Seligi. Base consideration was US$67,000,000 subject to interim period adjustments since the economic date of 1 January 2014, resulting in a cash consideration of US$28,212,000.

The Group acquired the assets to use its extensive experience in creating value from late stage maturing assets in the North Sea, to enhance recovery from these Malaysian assets.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

10. Business combinations (continued)

Acquisition of Seligi oil field and PM8 PSC (continued)

The provisional fair values of the identifiable assets and liabilities of PM8/Seligi, as at the date of acquisition are:

	Provisional fair value recognised on acquisition
	US$million
Assets	
Property, plant and equipment	156.4
Liabilities	
Overlift position	(9.4)
Financial liability	(5.7)
Decommissioning provision	(101.3)
Deferred tax liability	(11.8)
Total identifiable net assets at fair value	**28.2**
Goodwill arising on acquisition (Note 8)	**-**
Purchase consideration transferred	**28.2**

As the acquisition only completed on the 27 June 2014 the fair values are provisional. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition.

The acquired financial liability relates to an agreement by the Group to carry Petronas Carigali SDN BHD (Carigali) for its share of exploration or appraisal well commitments. The fair value of US$5,700,000 has been calculated using a discounted cashflow method.

As the acquisition completed at the end of period then there has been no contribution to revenue or profit before tax for the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been US$99,510,000 and the profit before tax from continuing operations for the Group would have been US$63,480,000.

11. Share capital

The share capital of the Company as at 30 June 2014 was US$113,433,000 (31 December 2013: US$113,433,000) comprising 802,660,757 ordinary shares of £0.05 each (31 December 2013: 802,660,757 ordinary shares of £0.05 each) and share premium of US$52,184,000 (31 December 2013: US$52,184,000).

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

12. Other financial assets/liabilities and cash flow hedge reserve

	2014 US$'000	*2013 US$'000*
Financial instruments at fair value through profit or loss		
Current assets		
Derivatives not designated as hedges:		
Commodity forward contracts	**132**	-
Forward foreign currency contracts	**2,407**	8,455
	2,539	8,455
Non-current assets		
Derivatives not designated as hedges:		
Forward foreign currency contracts	**119**	702
Current liabilities		
Derivatives not designated as hedges:		
Commodity forward contracts	**5,463**	5,084
Forward foreign currency contracts	**104**	631
	5,567	5,715
Non-current liabilities		
Derivatives not designated as hedges:		
Forward foreign currency contracts	**-**	839
Loans and receivables		
Non-current assets		
Other receivable	**21,734**	21,226
Other financial liabilities at amortised cost		
Current liabilities		
Other liability	**139,474**	164,176
Total current assets	**2,539**	8,455
Total non-current assets	**21,853**	21,928
Total assets	**24,392**	30,383
Total current liabilities	**145,041**	169,891
Total non-current liabilities	**-**	839
Total liabilities	**145,041**	170,730

The fair value measurements of the financial instruments (excluding Level 1 investments) held by the Group have been derived based on observable market inputs (as characterised within Level 2 of the fair value hierarchy under IFRS13). There have been no changes from the prior year.

Commodity forward contracts

The Group has entered various put and call options in order to hedge the exposure to changes in future cash flows from the sale of oil production during 2014. A total of 3,600,000 barrels of puts (300,000 barrels a month) were bought at a price of US$106 per barrel and 7,200,000 barrels of calls were sold at a price of US$106, which are only triggered if the monthly average price of Brent exceeds a fixed price for the given month (ranging from US$119 to US$124 per barrel). During the first half of the year half of these options expired, there remain 1,800,000 barrels of put options and 3,600,000 barrels of call options in the second half. These hedges were deemed ineffective for hedge accounting purposes and were designated as 'At fair value through profit and loss' (FVTPL). These contracts had a fair value of US$5,330,000 (loss). Net losses of US$246,000 were taken into profit and loss during the period; US$566,000 included within finance income and US$813,000 included within other finance expenses.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

12. Other financial assets/liabilities and cash flow hedge reserve (continued)

Forward foreign currency contracts
During the year ended 31 December 2013, the Group entered into various forward currency contracts, namely Sterling, Euro and Norwegian Krone. These contracts do not qualify for hedge accounting. At 30 June 2014, these had a net fair value of US$2,422,000 (asset) (31 December 2013: $7,688,000). The losses of US$5,266,000 were recognised in profit and loss, US$2,367,000 shown within other finance income and US$7,633,000 shown within other finance expenses. These contracts are due to expire during 2014 and 2015.

Other receivable
As part of the farm out to KUFPEC of 35% of the Alma/Galia development, KUFPEC agreed to pay EnQuest a total of US$23,292,000 after production commences over a period of 36 months. The fair value which was allocated in October 2012 was US$19,300,000. A receivable was recognised at 31 December 2012. The unwinding of discount on the other receivable of US$509,000 is included within finance income for the six months 30 June 2014 (30 June 2013: US$866,000).

Other liability
The consideration for the acquisition of 40% of the Kraken field from Nautical and First Oil in 2012 was through development carries. These were split into a 'firm' carry and a 'contingent' carry dependent upon reserves determination. A financial liability is recognised at 30 June 2014 for the remainder of the 'firm' carry amounting to US$122,574,000 (31 December 2013: US$164,176,000). This is expected to expire early 2015. The 'contingent' carry has been accounted for as a provision.

On Kraken FDP approval, commitments of US$11,200,000 due in respect of back-in payments associated with the sole risk drilling undertaken by the previous operator, were due to be paid. These have now been added to the carry arrangement.

As part of the agreement to acquire the PM8 assets in Malaysia, the Group agreed to carry Carigali for its share of exploration or appraisal well commitments. The discounted value of US$5,700,000 has been disclosed as a financial liability (31 December 2013: nil).

The Group considers there to be no material difference between the fair values of financial instruments, interest bearing loans and borrowings and their carrying amount in the balance sheet.

13. Bond

	2014	*2013*
	US$'000	*US$'000*
Due within one year	**11,928**	4,291
Due after one year	**911,322**	254,500
	923,250	258,791

During the six months ended 30 June 2014, the Group issued a US$650,000,000 high yield bond.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

14. Provisions

	Decommissioning provision US$'000	Other provisions US$'000	Total US$'000
At 1 January 2014	228,426	80,000	308,426
Additions during the year	4,573	-	4,573
Acquisitions	174,500	26,700	201,200
Changes in estimate	(2,700)	-	(2,700)
Unwinding of discount	7,015	-	7,015
At 30 June 2014	**411,814**	**106,700**	**518,514**

Other provisions include US$80,000,000 in respect of a 'contingent' carry recognised in the year ended 31 December 2013, as part of the consideration for the acquisition of 40% of the Kraken field from Nautical and First Oil in 2012.

As part of the GKA acquisition, there is total deferred and contingent consideration with a total fair value of US$26,700,000. See note 10 for further details.

15. Capital commitments and deferred consideration

At 30 June 2014 the Group had capital commitments of US$406,472,000 (31 December 2013: US$299,646,000).

As part of the KUFPEC farm in agreement, a reserves protection mechanism was agreed with KUFPEC to enable KUFPEC to recoup its investment to the date of first production. If on 1 January 2017, KUFPEC's costs to first production have not been recovered or deemed to have been recovered, EnQuest will pay to KUFPEC an additional 20% share of net revenue (giving them 55% in total). This additional revenue would be paid from January 2017 until the actual net revenue or the deemed net revenue equals or exceeds the costs to first oil.

In addition, there is contingent consideration of US$20,000,000 after the acquisition of Nio (Sabah) Limited which will be determined based on 2P reserves associated with an approved FDP on Blocks SB307 and SB308 in Malaysia. An exploration/appraisal well is expected to be drilled in the area in late 2014.

There is also deferred consideration of US$3,000,000 dependent on FDP approval in relation to the 20% interest in Kildrummy acquired from ENI UK Limited during 2012.

As part of the GKA acquisition, there is total deferred consideration of US$30,000,000 contingent upon FDP approval of the Scolty and/or Crathes offshore fields. A further contingent consideration of a maximum of US$100,000,000 is also payable subject to future exploration success in two defined prospects in Block 21/19 and is payable on FDP approval of such discoveries.

Included as part of the consideration of the Tunisian assets is a carry of up to US$93,000,000 following sanction of the Zarat Field development and additional consideration of up to US$133,000,000 depending on capital costs of 2P reserves in the Zarat and Elyssa fields.

16. Post balance sheet events

EnQuest's acquisition of interests in the producing Didon oil field in Tunisia completed in mid-July 2014. The consideration will be kept in escrow, pending the response of the Tunisian authorities, anticipated by the end of this year. EnQuest will assume responsibility for Didon operations in accordance with transitional arrangements to assure an efficient handover. The original announcement on 29 May 2013 included details of the consideration of US $23 million, subject to adjustment for the interim period from 1 January 2013.

Principal risks and uncertainties

The Group's risks and uncertainties are unchanged from those disclosed in the Group's Annual Report and Accounts 2013.

For the purposes of meeting the disclosure requirements of DTR 4.2.7(2) we believe that the Group's principal risks and uncertainties for the remaining six months are:

- **Health, Safety and Environment (HSE):** Oil and gas development, production and exploration activities are complex and HSE risks cover many areas including major accident hazards, personal health and safety, compliance with regulatory requirements and potential environmental harm.

- **Production:**
  - The Group's production is critical to its success and is subject to a variety of risks including subsurface uncertainties, operating in a difficult environment with mature equipment and potential for significant unexpected shutdowns and unplanned expenditure to occur and where remediation may be dependent on suitable weather conditions offshore.
  - Lower than expected reservoir performance may have a material impact on the Group's results.
  - The Group's delivery infrastructure on the UKCS is dependent on the Sullom Voe Terminal.

- **Project Execution:** The Group's success will be dependent upon bringing major new developments such as Alma/Galia and Kraken to production on budget and on schedule. To be successful, the Group must ensure that project implementation is both timely and on budget. Failure to do so may have a material negative impact on the Group's performance.

- **Reserve Replacement:** Failure to develop its contingent and prospective resources or secure new licenses and/or asset acquisitions and realise their expected value.

- **Financial:** Inability to fund appraisal and development work programmes.

- **Human Resources:** The Group's success is dependent upon its ability to attract and retain key personnel and develop organisational capability to deliver strategic growth.

- **Reputation:** The reputational and commercial exposures to a major offshore incident are significant.

- **Oil Price:** A material decline in oil and gas prices may adversely affect the Group's results of operations and financial condition.

- **Political and Fiscal:** Changes in the regulatory or fiscal environment affecting the Group's ability to deliver its strategy.

- **Joint Venture Partners:**
  - Failure by joint venture parties to fund their obligations.
  - Dependence on other parties where the Group is not the operator.

- **Competition:** The Group operates in a competitive environment across many areas including the acquisition of oil and gas assets, the marketing of oil and gas, the procurement of oil and gas services and access to human resources.

- **Acquisitions:**
  - The Group has been active in acquiring new assets. These have been producing, development and exploration assets most of which have been operated assets, although Alba is not operated by EnQuest.
  - The businesses of all of these assets are similar to the Group's existing activities, but there are additional risks associated with acquisitions such as the difficulty in valuing assets, assumptions on oil price, funding, resourcing new activities and integration within existing operations.

- **International business:** Whilst the majority of the Group's activities and assets are in the UK, the international business is becoming more material. The Group's international business is subject to the same risks as the UK business (eg HSE, production and project execution); however, there are additional risks that the Group faces including security of staff and assets, political, foreign exchange and currency control, taxation, legal and regulatory, cultural and language barriers and corruption.

We urge you to consider carefully the risks above, full details of which are contained in the Group's Annual Report and Accounts 2013.

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the condensed set of financial statements for the six months ended 30 June 2014 has been prepared in accordance with IAS 34 – 'Interim Financial Reporting' as adopted by the European Union, and that the half year management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

A list of current directors is maintained on the EnQuest PLC website which can be found at www.enquest.com.

By the order of the Board

Amjad Bseisu
Chief Executive Officer

12 August 2014

Independent review report to EnQuest PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises group statement of comprehensive income, group balance sheet, group statement of changes in equity, group cash flow statement and related notes 1 to 16. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) , "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

12 August 2014